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BEFORE THE ARIZONA CORPORATION

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IN THE MATTER OF:)

5

SCOTT A. GOULD)

DOCKET NO.

6006 N. 21st Place (Lot1))

S-03275A-00-0000

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Phoenix, Arizona 85016)

PREHEARING CONFERENCE

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At: Phoenix, Arizona

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Date: October 11, 2000

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Filed: OCT 27 2000

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REPORTER'S TRANSCRIPT OF PROCEEDINGS

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By: DAWNA J. CLAYTON, RPR

Prepared for:

CCR No. 50326

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1 BE IT REMEMBERED that the above-entitled
2 and numbered matter came on regularly to be heard
3 before the Arizona Corporation Commission, in the
4 Commissioners Conference Room of said Commission,
5 1200 West Washington Street, Phoenix, Arizona,
6 commencing at 9:35 a.m. on the 11th day of October,
7 2000.

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9 BEFORE: MARC E. STERN, Administrative Law Judge

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11 APPEARANCES:

12 KATHRYN E. McCORMICK, Securities Division, on
13 behalf of the Arizona Corporation Commission,
14 Securities Division;

15 SCOTT A. GOULD, Respondent, In Propria Persona;

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DAWNA J. CLAYTON
CCR No. 50326

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1 ALJ STERN: This proceeding is now open in
2 the matter of Scott Gould in Docket Number
3 S-03275A-00-0000.

4 My name is Marc Stern. I'll preside over
5 this matter today and, if necessary, a hearing on
6 the proceeding.

7 At this time, we'll take appearances on
8 behalf of the Division.

9 MS. McCORMICK: Kathryn McCormick on behalf
10 of the Division.

11 MR. TADLOCK: Stan Tadlock.

12 ALJ STERN: Okay. And do you want to enter
13 your appearance, Mr. Gould?

14 MR. GOULD: My name is Scott A. Gould,
15 representing myself.

16 ALJ STERN: Okay.

17 I called this matter for a prehearing
18 conference because I think there was a lot of
19 misunderstanding that went on at the open meeting
20 and also because I would like to see if there is a
21 proceeding that's going to go forward since
22 Mr. Gould registered a number of concerns that he
23 can at least have some discovery. And naturally,
24 the Division has the same rights. Have you two
25 discussed this matter since open meeting?

1 MS. McCORMICK: No.

2 ALJ STERN: Not at all?

3 MR. GOULD: No conversation.

4 ALJ STERN: Would you like to take some
5 time to discuss this matter a little bit this
6 morning, and at that point, if you can't get it
7 resolved, we'll work on setting a hearing date. Or
8 before we set a hearing date, we will see what the
9 major issue is between the two of you, not the two
10 of you, the Division and you, Mr. Gould.

11 MR. GOULD: You can call me Scott.

12 ALJ STERN: That's all right.

13 In any event, that's about where we're at.
14 So do you want to spend a little time? I know the
15 Division filed a notice against you; it makes a
16 number of allegations.

17 The Commission received your filing, and I
18 guess because it didn't say the magic words of I
19 request a hearing, or in fact, the cover sheet got
20 lost or something, didn't come around with your
21 filing of your response to the allegations, the
22 Division proceeded with a default order against
23 you. But that is now no longer in standing.

24 If necessary, we'll have a hearing on the
25 issues based on the allegations. But on the other

1 hand, if you and the Division upon a review of the
2 allegations and your position on certain things,
3 maybe it isn't in violation of the law. I don't
4 know exactly what transpired, but they'll have to
5 prove their allegations. If in fact we have a
6 hearing, you have a right to rebut the evidence.
7 But a lot of times, people somehow some way wander
8 into a violation of securities law through no fault
9 of their own because it isn't a statute that
10 requires a lot of intentional action on your part.
11 And for this reason, even though you think
12 everybody is happy, it still may not be entirely in
13 line with what the law is in Arizona.

14 At this point, we will go off the record
15 and let you all discuss a little bit. If you can't
16 resolve matters, send Mr. Tadlock down, or just
17 call me. Do you know the extension down there?
18 It's 24250, and I will come back up.

19 Yes, sir.

20 MR. GOULD: Yes, I would like to have a
21 conversation with both Katie and Stan regarding the
22 allegations. I would like to clarify that I feel
23 like I'm 100 percent innocent on the request for a
24 hearing to say that was delivered to the
25 appropriate place, it was received from the

1 appropriate place and to say that it has my name,
2 says request for hearing. I do not understand
3 where there's anything that I did wrong.

4 ALJ STERN: I think --

5 MR. GOULD: They're saying I didn't put I
6 in front of it.

7 ALJ STERN: No, I think what happened was
8 the cover sheet that is supposed to be attached to
9 documents that are filed here when the copies -- I
10 don't know whether you filed an original and ten
11 copies or what you did when you came. Did you come
12 down and personally file this thing?

13 MR. GOULD: Ten of these and ten of the
14 responses.

15 ALJ STERN: Well, whatever happened,
16 somehow, some way, I think there was a copy of that
17 cover sheet in your file. However, the one that
18 the Division got, the Hearing Division got was just
19 this sheet of paper, all right? And no one, I
20 don't even think the Division got one of those. So
21 the problem is not everyone got one of those.

22 In the normal course and scope of this
23 thing, if that would have come around and we see
24 the words there, "I want a hearing," you end up
25 with a situation where you'll get a hearing.

1 Actually, we'll schedule a prehearing. We are back
2 to where you would be anyhow.

3 You unfortunately got caught in a situation
4 when they sent out the default order that no one
5 knew there was anything remiss. If you would have
6 filed something even at that point, it would have
7 gone back, taken a look at this, and said, "Hey,
8 what's going on here." It would have been
9 circulated to us, you would have filed something
10 obviously in response to the default order saying,
11 "Hey, wait a minute. I deny all this. I want a
12 hearing. Why didn't I get it?" At that point, I
13 don't think it would have been on an open meeting
14 agenda. They voted on it, said give this man a
15 hearing. That's what we're doing.

16 We will go off the record. You can discuss
17 the matter with the Division, talk with them about
18 witnesses, what people are going to say. If you
19 want formal copies of exhibits they may use in the
20 proceeding, they'll provide them to you. I don't
21 know whether or not they're prepared to do so
22 today, but you will have time before a hearing to
23 examine documents, et cetera. And in the meantime,
24 like I say, maybe you can find out exactly what it
25 is that may have caused them to think you have

1 violated the Securities Acts and maybe you can
2 resolve it, maybe you can't. If you can't resolve
3 it, we will set a hearing, I will make a ruling,
4 and the Commission will decide.

5 At this point, I will wait for you guys
6 to call me up and let me know what's going on,
7 okay?

8 MS. McCORMICK: Okay. Thank you.

9 (A recess ensued.)

10 ALJ STERN: We're returning to the record
11 after discussions between Mr. Gould and the
12 Division, and at this time, Ms. McCormick, what is
13 the status of the proceeding?

14 MS. McCORMICK: Mr. Stern, we've come to an
15 agreement regarding a consent order. Mr. Gould
16 will neither consent nor deny to the terms of the
17 order, and we've reduced the administrative penalty
18 to \$30,000 which will be due after he gets back
19 into town October 16th.

20 ALJ STERN: Okay.

21 MR. GOULD: With acceptable language.

22 ALJ STERN: Okay.

23 If there is nothing further, this
24 proceeding is concluded, and we'll wait for further
25 action by the Commission when you submit the

1 consent order.

2 MS. McCORMICK: Okay.

3 (The proceedings concluded at 10:45 a.m.)

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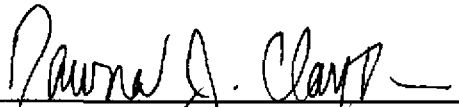
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1 STATE OF ARIZONA)
2) ss.
3 COUNTY OF MARICOPA)
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7 I, DAWNA J. CLAYTON, Certified Court
8 Reporter No. 50326 for the State of Arizona, do
9 hereby certify that the foregoing printed pages
10 constitute a full, true and accurate transcript of
11 the proceedings had in the foregoing matter, all
12 done to the best of my skill and ability.

13
14 WITNESS my hand and seal this 25th day of
15 October, 2000.

16
17 
18 DAWNA J. CLAYTON
CCR No 50326

19 My Commission Expires:
20 July 31, 2002

